

CITY OF PEABODY

PEABODY, KANSAS

Special Financial Statements

December 31, 2011

City of Peabody, Kansas

CONTENTS

December 31, 2011

	<u>Statement</u>	<u>Page</u>
Independent Auditor's Report		1
Summary Statement of Cash Receipts, Expenditures and Unencumbered Cash	1	2
Summary Statement of Expenditures - Actual and Budget	2	3
Statement of Cash Receipts and Expenditures - Actual and Budget		
General Fund	3	4-5
Special Revenue Funds	3	6-11
Debt Service Fund	3	12
Capital Project Funds	3	13
Enterprise Funds	3	14-17
Notes to Financial Statements		18-25

# Knudsen Monroe & Company LLC

## INDEPENDENT AUDITOR'S REPORT

City Council  
City of Peabody  
Peabody, Kansas

We have audited the accompanying financial statements of the City of Peabody, Kansas, as of and for the year ended December 31, 2011, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year partial comparative financial information has been derived from the City's 2010 financial statements and, in our report dated June 24, 2011, we expressed an unqualified opinion on the financial statements taken as a whole.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit Guide*. Those standards and guidance require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements do not include financial data for the City's legally separated component unit. Accounting principles generally accepted in the United States of America require the financial data for this component unit to be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity that include the financial data for its component units. The City has not issued such reporting entity financial statements. The effect on the financial statements of the omission of the component unit, although not reasonably determinable, is presumed to be material.

As described more fully in Note 1, the City has prepared these financial statements in conformity with the accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, is presumed to be material.

In our opinion, because of the omission of the discretely presented component unit, as discussed above, and because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City as of December 31, 2011, the changes in its financial position, or where applicable, its cash flows for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of the Primary Government of the City of Peabody, as of December 31, 2011, and its cash receipts and expenditures, and budget to actual comparisons for the year then ended, taken as a whole, on the basis of accounting described in Note 1.

*Knudsen, Monroe & Company LLC*

Certified Public Accountants

June 21, 2012

## City of Peabody, Kansas

## SUMMARY STATEMENT OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH

Year ended December 31, 2011

<u>Funds</u>	Unencumbered Cash Balance <u>12-31-10</u>	<u>Receipts</u>	<u>Expenditures</u>	Unencumbered Cash Balance <u>12-31-11</u>	<u>Encumbrances</u>	Cash Balance <u>12-31-11</u>
General	\$ 43,553	642,446	677,188	8,811	4,647	13,458
Special Revenue						
Special equipment (law & fire)	24,376	4,270	10,450	18,196	-	18,196
Special highway	109,684	102,941	165,417	47,208	974	48,182
Special park and recreation	76	5,534	3,938	1,672	-	1,672
Municipal equipment	55	53,155	53,164	46	-	46
Capital improvement	760	133,874	123,035	11,599	2,994	14,593
Police DARE	791	2	-	793	-	793
Police diversion	8,833	6,875	2,846	12,862	-	12,862
Police LLEBG	127	-	-	127	-	127
Drug forfeiture	1,190	-	-	1,190	-	1,190
Lighting	361	-	132	229	-	229
Hart Trust	81	19	-	100	-	100
Bradley estate	247	-	-	247	-	247
Debt Service						
Bond and interest	662	88,466	88,876	252	-	252
Capital Projects						
Community Capacity Grant	2,100	-	-	2,100	-	2,100
Sewer-Lagoon	690	-	690	-	-	-
Enterprise						
Water operating	17,769	256,709	260,970	13,508	32,877	46,385
Water debt service-2000	1,967	22,000	21,321	2,646	-	2,646
Water bond reserve-2000	21,265	2,125	-	23,390	-	23,390
Sewer operating	16,711	227,888	229,832	14,767	1,024	15,791
Sewer replacement	1,199	8,669	8,200	1,668	-	1,668
Refuse	8,172	67,109	77,955	(2,674)	5,167	2,493
	\$ 260,669	1,622,082	1,724,014	158,737	47,683	206,420

## City of Peabody, Kansas

## SUMMARY STATEMENT OF EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2011

<u>Funds</u>	<u>Certified Budget</u>	<u>Adjustments for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance - Over (Under)</u>
General	\$ 700,200	-	700,200	677,188	(23,012)
Special Revenue					
Special equipment (law & fire)	24,500	-	24,500	10,450	(14,050)
Special highway	161,000	-	161,000	165,417	4,417
Special park and recreation	5,500	-	5,500	3,938	(1,562)
Debt Service					
Bond and interest	90,950	-	90,950	88,876	(2,074)
Enterprise					
Water operating	267,150	-	267,150	260,970	(6,180)
Sewer operating	230,325	-	230,325	229,832	(493)
Refuse	<u>77,000</u>	<u>-</u>	<u>77,000</u>	<u>77,955</u>	<u>955</u>
Expenditures subject to current budget	<u>\$ 1,556,625</u>	<u>-</u>	<u>1,556,625</u>	1,514,626	<u>(41,999)</u>
Add expenditures for unbudgeted funds					
Municipal equipment				53,164	
Capital improvement				123,035	
Police diversion				2,846	
Lighting				132	
Water debt service - 2000				21,321	
Sewer-Lagoon				690	
Sewer replacement				<u>8,200</u>	
Total expenditures, Statement 1				<u>\$ 1,724,014</u>	

## City of Peabody, Kansas

## General Fund

## STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2011

(With comparative actual amounts for the year ended December 31, 2010)

	2010 Actual	2011		Variance - Over (Under)
		Actual	Budget	
RECEIPTS				
Ad valorem property tax	\$ 293,762	274,346	292,790	(18,444)
Intangible tax	3,340	2,113	1,739	374
Delinquent tax	125	7,379	-	7,379
Vehicle tax	43,768	41,019	45,886	(4,867)
Liquor tax	620	1,534	441	1,093
Franchise tax	86,533	68,604	75,000	(6,396)
Licenses and permits	12,333	6,984	3,600	3,384
County sales tax	76,642	75,422	80,000	(4,578)
Highway connecting links	557	418	557	(139)
Fines	26,829	58,513	58,000	513
Interest on investments	48	29	100	(71)
Pool receipts	8,062	6,745	10,000	(3,255)
Reimbursements	12,002	38,412	36,000	2,412
Sale of land	-	51,637	52,000	(363)
Miscellaneous	11,618	9,291	31,500	(22,209)
	576,239	642,446	687,613	(45,167)
EXPENDITURES, page 5	581,781	677,188		
Receipts over (under) expenditures	(5,542)	(34,742)		
UNENCUMBERED CASH, beginning	49,095	43,553		
UNENCUMBERED CASH, ending	\$ 43,553	8,811		

## City of Peabody, Kansas

## General Fund

## STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2011

(With comparative actual amounts for the year ended December 31, 2010)

	2010 Actual	2011		Variance - Over (Under)
		Actual	Budget	
EXPENDITURES				
General Government				
Personal services	\$ 72,875	62,189	71,875	(9,686)
Contractual services	38,328	46,721	35,875	10,846
Commodities	7,573	1,537	3,250	(1,713)
Reimbursed expenses	25,023	16,302	7,000	9,302
Capital outlay	-	3,590	22,000	(18,410)
	<u>143,799</u>	<u>130,339</u>	<u>140,000</u>	<u>(9,661)</u>
Street				
Contractual services	36	1,620	-	1,620
Commodities	90	378	-	378
	<u>126</u>	<u>1,998</u>	<u>-</u>	<u>1,998</u>
Police				
Personal services	182,391	184,375	190,150	(5,775)
Contractual services	17,990	15,586	20,000	(4,414)
Commodities	20,116	21,603	22,850	(1,247)
	<u>220,497</u>	<u>221,564</u>	<u>233,000</u>	<u>(11,436)</u>
Fire				
Personal services	1,479	1,438	1,500	(62)
Contractual services	2,956	4,186	5,100	(914)
Commodities	43	1,410	900	510
	<u>4,478</u>	<u>7,034</u>	<u>7,500</u>	<u>(466)</u>
Park				
Personal services	15,841	6,674	7,000	(326)
Contractual services	4,496	5,950	4,500	1,450
Commodities	7,020	7,214	9,500	(2,286)
	<u>27,357</u>	<u>19,838</u>	<u>21,000</u>	<u>(1,162)</u>
Swimming Pool				
Personal services	21,329	16,502	22,575	(6,073)
Contractual services	2,596	1,421	3,700	(2,279)
Commodities	12,173	9,050	7,000	2,050
	<u>36,098</u>	<u>26,973</u>	<u>33,275</u>	<u>(6,302)</u>
Other contractual services	1,867	115	2,000	(1,885)
Utilities	31,830	36,911	36,000	911
Economic Development	44,929	51,339	52,000	(661)
Transfers				
Special Park	3,800	4,000	-	4,000
Capital Improvement	-	121,300	110,000	11,300
Bond and Interest	38,000	43,630	54,000	(10,370)
Municipal Equipment	29,000	12,147	11,425	722
	<u>149,426</u>	<u>269,442</u>	<u>265,425</u>	<u>4,017</u>
Total expenditures	<u>\$ 581,781</u>	<u>677,188</u>	<u>700,200</u>	<u>(23,012)</u>

## City of Peabody, Kansas

## Special Revenue Funds

## STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2011

(With comparative actual amounts for the year ended December 31, 2010)

		2011		
	2010			Variance -
	Actual	Actual	Budget	Over
				(Under)
<b><u>SPECIAL EQUIPMENT (LAW &amp; FIRE) FUND</u></b>				
<b>RECEIPTS</b>				
Ad valorem property tax	\$ 2,034	3,914	4,178	(264)
Delinquent tax	162	62	-	62
Vehicle tax	354	294	333	(39)
Other	438	-	-	-
	<u>2,988</u>	<u>4,270</u>	<u>4,511</u>	<u>(241)</u>
<b>EXPENDITURES</b>				
Contractual services	77	-	1,500	(1,500)
Commodities	-	-	5,000	(5,000)
Capital outlay	-	-	18,000	(18,000)
Transfer to Municipal Equipment	-	10,450	-	10,450
	<u>77</u>	<u>10,450</u>	<u>24,500</u>	<u>(14,050)</u>
Receipts over (under) expenditures	2,911	(6,180)		
UNENCUMBERED CASH, beginning	<u>21,465</u>	<u>24,376</u>		
UNENCUMBERED CASH, ending	<u>\$ 24,376</u>	<u>18,196</u>		
<b><u>SPECIAL HIGHWAY FUND</u></b>				
<b>RECEIPTS</b>				
State payments-gasoline tax	\$ 32,159	31,341	33,270	(1,929)
Settlement for damages	42,500	-	-	-
City sales tax	82,861	71,600	80,000	(8,400)
	<u>157,520</u>	<u>102,941</u>	<u>113,270</u>	<u>(10,329)</u>
<b>EXPENDITURES</b>				
Capital outlay	13,113	454	-	454
Commodities	26,319	17,466	13,000	4,466
Contractual services	197,913	147,497	148,000	(503)
	<u>237,345</u>	<u>165,417</u>	<u>161,000</u>	<u>4,417</u>
Receipts over (under) expenditures	(79,825)	(62,476)		
UNENCUMBERED CASH, beginning	<u>189,509</u>	<u>109,684</u>		
UNENCUMBERED CASH, ending	<u>\$ 109,684</u>	<u>47,208</u>		



## City of Peabody, Kansas

**Special Revenue Funds**

## STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2011

(With comparative actual amounts for the year ended December 31, 2010)

		2011		
	2010			Variance -
	Actual	Actual	Budget	Over
				(Under)
<b><u>SPECIAL PARK AND RECREATION FUND</u></b>				
<b>RECEIPTS</b>				
Liquor tax	\$ 620	1,534	521	1,013
Other	50	-	-	-
Transfer from General Fund	3,800	4,000	5,000	(1,000)
	4,470	5,534	5,521	13
<b>EXPENDITURES</b>				
Capital outlay	5,307	3,938	5,500	(1,562)
Receipts over (under) expenditures	(837)	1,596		
UNENCUMBERED CASH, beginning	913	76		
UNENCUMBERED CASH, ending	\$ 76	1,672		

## City of Peabody, Kansas

**Special Revenue Funds**

## STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2011

(With comparative actual amounts for the year ended December 31, 2010)

		2011		
	2010			Variance -
	Actual	Actual	Budget	Over
				(Under)
<b><u>MUNICIPAL EQUIPMENT FUND</u></b>				
<b>RECEIPTS</b>				
Reimbursements	\$ 1,107	-		
Transfer from Sewer Operating	20,000	20,279		
Transfer from Water Operating	10,000	10,279		
Transfer from Special Equipment L/F	-	10,450		
Transfer from General Fund	29,000	12,147		
	60,107	53,155		
<b>EXPENDITURES</b>				
Capital outlay	60,264	53,164		NOT APPLICABLE
Receipts over (under) expenditures	(157)	(9)		
UNENCUMBERED CASH, beginning	212	55		
UNENCUMBERED CASH, ending	\$ 55	46		
<b><u>CAPITAL IMPROVEMENT FUND</u></b>				
<b>RECEIPTS</b>				
Transfer from General Fund	\$ -	121,300		
Transfer from Refuse Operating	25,000	10,000		
Transfer from Water Operating	-	1,000		
Transfer from Sewer Operating	-	1,500		
Donations	8,000	-		
Interest	256	74		
	33,256	133,874		
<b>EXPENDITURES</b>				
Capital outlay	32,675	123,035		NOT APPLICABLE
Receipts over (under) expenditures	581	10,839		
UNENCUMBERED CASH, beginning	179	760		
UNENCUMBERED CASH, ending	\$ 760	11,599		

## City of Peabody, Kansas

## Special Revenue Funds

## STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2011

(With comparative actual amounts for the year ended December 31, 2010)

	2010 Actual	2011		Variance - Over (Under)
		Actual	Budget	
<b><u>POLICE DARE FUND</u></b>				
RECEIPTS				
Other	\$ 4	2		
EXPENDITURES	-	-		NOT APPLICABLE
Receipts over (under) expenditures	4	2		
UNENCUMBERED CASH, beginning	787	791		
UNENCUMBERED CASH, ending	<u>\$ 791</u>	<u>793</u>		
<b><u>POLICE DIVERSION FUND</u></b>				
RECEIPTS				
Diversion fees	\$ 4,395	6,875		
EXPENDITURES	8,896	2,846		NOT APPLICABLE
Receipts over (under) expenditures	(4,501)	4,029		
UNENCUMBERED CASH, beginning	13,334	8,833		
UNENCUMBERED CASH, ending	<u>\$ 8,833</u>	<u>12,862</u>		
<b><u>POLICE LLEBG FUND</u></b>				
RECEIPTS	\$ -	-		
EXPENDITURES	-	-		NOT APPLICABLE
Receipts over (under) expenditures	-	-		
UNENCUMBERED CASH, beginning	127	127		
UNENCUMBERED CASH, ending	<u>\$ 127</u>	<u>127</u>		

## City of Peabody, Kansas

## Special Revenue Funds

## STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2011

(With comparative actual amounts for the year ended December 31, 2010)

		2011		Variance -
	2010	Actual	Budget	Over
	Actual			(Under)
<b><u>DRUG FORFEITURE FUND</u></b>				
RECEIPTS	\$ -	-		
EXPENDITURES	-	-	NOT APPLICABLE	
Receipts over (under) expenditures	-	-		
UNENCUMBERED CASH, beginning	1,190	1,190		
UNENCUMBERED CASH, ending	<u>\$ 1,190</u>	<u>1,190</u>		
<b><u>LIGHTING FUND</u></b>				
RECEIPTS	\$ -	-		
EXPENDITURES	2	132	NOT APPLICABLE	
Receipts over (under) expenditures	(2)	(132)		
UNENCUMBERED CASH, beginning	363	361		
UNENCUMBERED CASH, ending	<u>\$ 361</u>	<u>229</u>		
<b><u>HART TRUST</u></b>				
RECEIPTS				
Interest	\$ 81	19		
EXPENDITURES	-	-	NOT APPLICABLE	
Receipts over (under) expenditures	81	19		
UNENCUMBERED CASH, beginning	-	81		
UNENCUMBERED CASH, ending	<u>\$ 81</u>	<u>100</u>		

## City of Peabody, Kansas

**Special Revenue Funds**

## STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2011

(With comparative actual amounts for the year ended December 31, 2010)

	2010 Actual	2011		Variance - Over (Under)
		Actual	Budget	
<b><u>BRADLEY ESTATE</u></b>				
RECEIPTS	\$ -	-		
EXPENDITURES	-	-	NOT APPLICABLE	
Receipts over (under) expenditures	-	-		
UNENCUMBERED CASH, beginning	247	247		
UNENCUMBERED CASH, ending	<u>\$ 247</u>	<u>247</u>		

## City of Peabody, Kansas

**Debt Service Fund**

## STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2011

(With comparative actual amounts for the year ended December 31, 2010)

		2011		
	2010			Variance -
	Actual	Actual	Budget	Over
				(Under)
<b>BOND AND INTEREST FUND</b>				
<b>RECEIPTS</b>				
Interest	\$ 112	36	-	36
Transfer from Sewer Operating	20,000	44,800	36,000	8,800
Transfer from General Fund	38,000	43,630	54,000	(10,370)
	<u>58,112</u>	<u>88,466</u>	<u>90,000</u>	<u>(1,534)</u>
<b>EXPENDITURES</b>				
Principal	18,482	29,939	35,000	(5,061)
Interest	42,121	58,936	55,950	2,986
Other	1	1	-	1
	<u>60,604</u>	<u>88,876</u>	<u>90,950</u>	<u>(2,074)</u>
Receipts over (under) expenditures	(2,492)	(410)		
UNENCUMBERED CASH, beginning	<u>3,154</u>	<u>662</u>		
UNENCUMBERED CASH, ending	\$ 662	252		

## City of Peabody, Kansas

**Capital Project Funds**

## STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET\*

Year ended December 31, 2011

	<u>Community Capacity Grant</u>	<u>Sewer- Lagoon</u>	<u>Total</u>
RECEIPTS			
Reimbursements	\$ -	-	-
EXPENDITURES			
Transfer to Sewer Operating Fund	-	690	690
Receipts over (under) expenditures	-	(690)	(690)
UNENCUMBERED CASH, beginning	2,100	690	2,790
UNENCUMBERED CASH, ending	<u>\$ 2,100</u>	<u>-</u>	<u>2,100</u>

\* Annual adopted budget is not applicable for capital projects.

## City of Peabody, Kansas

**Enterprise Funds**

## STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2011

(With comparative actual amounts for the year ended December 31, 2010)

		2011		
	2010	Actual	Budget	Variance - Over (Under)
	Actual			
<b><u>WATER OPERATING</u></b>				
<b>RECEIPTS</b>				
Sale of water	\$ 238,448	236,313	250,000	(13,687)
Penalties	7,856	7,722	8,200	(478)
Miscellaneous	4,963	7,385	5,300	2,085
Reimbursements	-	4,977	2,500	2,477
Interest	1,640	312	1,200	(888)
	<u>252,907</u>	<u>256,709</u>	<u>267,200</u>	<u>(10,491)</u>
<b>EXPENDITURES</b>				
Personal services				
Salaries	72,417	60,418	78,075	(17,657)
Benefits	36,695	39,411	32,000	7,411
Contractual services	37,793	34,021	32,250	1,771
Commodities	21,617	8,899	12,900	(4,001)
Capital outlay	580	7,951	-	7,951
Purchase of water	71,987	74,866	72,000	2,866
Transfers				
Municipal Equipment	10,000	10,279	18,400	(8,121)
Capital Improvement	-	1,000	-	1,000
Water Debt Service-2000	22,000	22,000	19,400	2,600
Water Bond Reserve-2000	1,795	2,125	2,125	-
	<u>274,884</u>	<u>260,970</u>	<u>267,150</u>	<u>(6,180)</u>
Receipts over (under) expenditures	(21,977)	(4,261)		
UNENCUMBERED CASH, beginning	<u>39,746</u>	<u>17,769</u>		
UNENCUMBERED CASH, ending	<u>\$ 17,769</u>	<u>13,508</u>		



## City of Peabody, Kansas

**Enterprise Funds**

## STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2011

(With comparative actual amounts for the year ended December 31, 2010)

		2011		
	2010 Actual	Actual	Budget	Variance - Over (Under)
<b><u>WATER DEBT SERVICE-2000</u></b>				
RECEIPTS				
Transfer from Water Operating	\$ 22,000	22,000		
	<u>22,000</u>	<u>22,000</u>		
EXPENDITURES				
Principal	4,844	5,081		
Interest	16,477	16,240		NOT APPLICABLE
	<u>21,321</u>	<u>21,321</u>		
Receipts over (under) expenditures	679	679		
UNENCUMBERED CASH, beginning	1,288	1,967		
UNENCUMBERED CASH, ending	<u>\$ 1,967</u>	<u>2,646</u>		
 <b><u>WATER BOND RESERVE-2000</u></b>				
RECEIPTS				
Transfer from Water Operating	\$ 1,795	2,125		
EXPENDITURES	<u>-</u>	<u>-</u>		NOT APPLICABLE
Receipts over (under) expenditures	1,795	2,125		
UNENCUMBERED CASH, beginning	19,470	21,265		
UNENCUMBERED CASH, ending	<u>\$ 21,265</u>	<u>23,390</u>		

## City of Peabody, Kansas

## Enterprise Funds

## STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

Year ended December 31, 2011

(With comparative actual amounts for the year ended December 31, 2010)

	2011			Variance -
	2010	Actual	Budget	Over
	Actual			(Under)
<b><u>SEWER OPERATING</u></b>				
<b>RECEIPTS</b>				
Sewer fees	\$ 224,777	222,926	226,000	(3,074)
Penalties	4,255	3,944	4,000	(56)
Interest	-	-	100	(100)
Other	1,254	328	100	228
Transfer from Sewer-Lagoon Fund	-	690	-	690
	<u>230,286</u>	<u>227,888</u>	<u>230,200</u>	<u>(2,312)</u>
<b>EXPENDITURES</b>				
Personal services				
Salaries	72,034	74,971	109,425	(34,454)
Benefits	30,578	31,835	-	31,835
Contractual services	34,097	26,918	27,600	(682)
Commodities	30,380	19,511	23,900	(4,389)
Capital outlay	18,920	2,018	-	2,018
Transfers				
Municipal Equipment	20,000	20,279	18,400	1,879
Bond and Interest	20,000	44,800	27,000	17,800
Capital Improvement	-	1,500	4,000	(2,500)
Sewer Replacement	-	8,000	20,000	(12,000)
	<u>226,009</u>	<u>229,832</u>	<u>230,325</u>	<u>(493)</u>
Receipts over (under) expenditures	4,277	(1,944)		
UNENCUMBERED CASH, beginning	12,434	16,711		
UNENCUMBERED CASH, ending	<u>\$ 16,711</u>	<u>14,767</u>		
<b><u>SEWER REPLACEMENT</u></b>				
<b>RECEIPTS</b>				
Special assessments	\$ 415	584		
Interest	155	85		
Transfer from Sewer Operating	-	8,000		
	<u>570</u>	<u>8,669</u>		
<b>EXPENDITURES</b>				
Capital outlay	-	8,200		NOT APPLICABLE
Receipts over (under) expenditures	570	469		
UNENCUMBERED CASH, beginning	629	1,199		
UNENCUMBERED CASH, ending	<u>\$ 1,199</u>	<u>1,668</u>		

## City of Peabody, Kansas

**Enterprise Funds****STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET**

Year ended December 31, 2011

(With comparative actual amounts for the year ended December 31, 2010)

		2011		Variance -
	2010			Over
	Actual	Actual	Budget	(Under)
<u>REFUSE FUND</u>				
RECEIPTS				
Refuse fees	\$ 64,834	64,747	62,000	2,747
Penalties	1,925	2,247	2,500	(253)
Other	150	115	-	115
	<u>66,909</u>	<u>67,109</u>	<u>64,500</u>	<u>2,609</u>
EXPENDITURES				
Contractual services	58,244	65,738	61,000	4,738
Commodities	2,199	2,217	6,000	(3,783)
Transfer to Capital Improvement	25,000	10,000	10,000	-
	<u>85,443</u>	<u>77,955</u>	<u>77,000</u>	<u>955</u>
Receipts over (under) expenditures	(18,534)	(10,846)		
UNENCUMBERED CASH, beginning	<u>26,706</u>	<u>8,172</u>		
UNENCUMBERED CASH, ending	\$ 8,172	(2,674)		

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The City of Peabody is a municipal corporation governed by an elected five-member council. These financial statements present the City of Peabody (the primary government) as the only component unit.

In addition to the primary government, the local housing authority, Indian Guide Terrace, which operates the City's housing projects, qualifies as a component unit of the City. Their financial activities are not, however, included in the accompanying financial statements.

Basis of Accounting

These financial statements are presented on a basis of accounting which demonstrates compliance with the cash basis and budget laws of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure would be charged in the fund from which the transfer is made.

The City has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the City to use the statutory basis of accounting.

Departure from Generally Accepted Accounting Principles

The basis of presentation described above results in a financial statement presentation which shows cash receipts, expenditures, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown non-cash assets such as receivables, inventories and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with accounting principles generally accepted in the United States of America. Capital assets that account for the land, buildings and equipment owned by the City are not presented in the financial statements. Also, long-term debt such as general obligation bonds, capital leases, temporary notes, and compensated absences are not presented in the financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

2. FUND DESCRIPTION

In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The following types of funds comprise the financial activities of the City for the year 2011.

Governmental Funds

General Fund--to account for all unrestricted resources except those required to be accounted for in another fund.

Special Revenue Funds--to account for the proceeds of specific revenue sources other than special assessments or major capital projects that are restricted by law or administrative action to expenditure for specified purposes.

Debt Service Funds--to account for the accumulation of resources for and the payment of interest and principal on general long-term debt and the financing of special assessments which are general obligations of the City.

Capital Project Funds--to account for financial resources segregated for the acquisition of major capital facilities other than those financed by Enterprise Funds.

Proprietary Funds

Enterprise Funds--to account for operations that are financed and operated in a manner similar to private business enterprises, where the stated intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

3. BUDGETARY INFORMATION

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds, and enterprise funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.
3. Public hearing on or before August 15th, but at least ten days after publication on notice of hearing.
4. Adoption of the final budget on or before August 25th.

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

3. BUDGETARY INFORMATION (Continued)

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. The 2011 budget was amended for the General Fund, Capital Improvement Fund, Refuse Fund, Sewer Operating Fund, Special Highway Fund, and Bond and Interest Fund.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using a modified cash basis of accounting. Revenues are recognized when cash is received. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unencumbered appropriations (legal budget expenditure authority) lapse at year-end.

A legal operating budget is not required for fiduciary funds, capital project funds, enterprise bond reserve accounts, and the following special revenue funds:

Municipal Equipment Fund	Drug Forfeiture Fund
Capital Improvement Fund	Lighting Fund
Police DARE Fund	Hart Trust
Police Diversion Fund	Bradley Estate
Police LLEBG Fund	

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

4. DEPOSITS AND INVESTMENTS

K.S.A. 9-1401 establishes the depositories which may be used by the City. The statute requires banks eligible to hold the City's funds have a main or branch bank in the county in which the City is located and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The City has no investment policy that would further limit interest rate risk.

K.S.A. 12-1675 limits the City's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; investment policy that would further limit its investment choices. As of December 31, 2011, the City's investments included only bank certificates of deposit with a fair value of \$107,375, which are not subject to investment rating.

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

4. DEPOSITS AND INVESTMENTS (Continued)

Concentration of Credit Risk

State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require the City's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The City has not designated peak periods. All deposits were legally secured at December 31, 2011.

At December 31, 2011, the carrying amount of the City's deposits, including component units, was \$206,420. The bank balance totaled \$235,312. The balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, all of it was covered by FDIC insurance.

Composition of Cash Balance

The cash balance consisted of the following at December 31, 2011:

Amount on deposit with financial institutions	
Checking and money market accounts	\$ 99,045
Time Deposits	<u>107,375</u>
	\$ <u>206,420</u>

5. COMPLIANCE WITH KANSAS STATUTES

The City was not in compliance with K.S.A. 79-2935 which limits fund expenditures to the appropriated budget in the Special Highway Fund and the Refuse Fund.

The City was also not in compliance with K.S.A. 10-1113 which requires that unencumbered cash balances be zero or above in each individual fund. The Refuse Fund did not meet this requirement as of December 31, 2011.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2011

## 6. LONG-TERM DEBT

Revenue Bond Covenants

The bond transcripts for the 2000 Series A and 2000 Series B Water Utility revenue bonds require that the income from the utility's operations be an amount not less than 110 percent of the principal and interest payments for the revenue bonds for the following year. As noted in the following schedule, operations did meet the requirements for the year ended December 31, 2011.

	<u>Water</u>
Gross receipts	\$ 256,709
Expenditures, net of transfers and capital outlay	<u>217,615</u>
Net income, as defined	39,094
110% of scheduled 2012 principal and interest payments	<u>23,454</u>
Net income over (under) amount required	\$ <u>15,640</u>

In addition to the requirement above, the transcripts for the revenue bonds require that the City maintain certain reserves for payment of the revenue bond principal and interest and for payment of unforeseen expenditures. As of December 31, 2011, all reserves equaled or exceeded the amounts required by the bond transcripts. Specifically, the reserves are as follows:

Revenue bond debt service - Requires monthly transfers for payment of the next maturing bond principal and interest.

Revenue bond reserve - Requires a specified balance which can only be used for debt service if monies are not otherwise available.

Revenue bond surplus reserve - Excess monies in the operating fund are to be transferred to this reserve and may be used for capital improvements, debt service, and operating expenses.



City of Peabody, Kansas

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

6. LONG-TERM DEBT (Continued)

Changes in the long-term liabilities for the City for the year ended December 31, 2011 were as follows:

<u>Issue</u>	<u>Interest Rates</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Maturity Date</u>	<u>Balance 12-31-10</u>	<u>Adjustments</u>	<u>Deletions</u>	<u>Balance 12-31-11</u>	<u>Interest Paid</u>
<b>Revenue Bonds:</b>									
2000 Water System Series A	4.750%	11/09/00	\$ 157,500	11/09/40	\$ 141,568	-	2,221	139,347	6,724
2000 Water System Series B	5.125%	11/09/00	210,600	11/09/40	190,315	-	2,860	187,455	9,516
					<u>331,883</u>	<u>-</u>	<u>5,081</u>	<u>326,802</u>	<u>16,240</u>
<b>General Obligation Bonds:</b>									
Series 2006 A	4.250%	01/04/06	465,000	01/11/46	444,866	719	5,689	439,896	18,696
Series 2006 B	4.500%	01/05/06	450,000	01/11/46	431,549	701	5,250	427,000	19,215
Series 2007	4.750%	07/30/07	95,000	08/01/17	71,000	-	9,000	62,000	3,372
Series 2009 A	3.00-6.00%	12/08/09	200,000	10/01/20	200,000	-	10,000	190,000	17,653
					<u>1,147,415</u>	<u>1,420</u>	<u>29,939</u>	<u>1,118,896</u>	<u>58,936</u>
<b>Capital Lease Obligations:</b>									
Butler building	5.250%	05/01/06	127,000	05/01/13	60,203	-	19,108	41,095	3,039
Dodge and Chevy pickups	4.800%	09/08/08	24,275	09/05/11	8,494	-	8,494	-	388
2010 Crown Victoria	4.650%	02/25/10	19,516	03/03/12	19,516	-	9,527	9,989	932
NH tractor and loader	4.650%	05/20/10	33,500	05/10/13	21,822	-	10,685	11,137	993
					<u>110,035</u>	<u>-</u>	<u>47,814</u>	<u>62,221</u>	<u>5,352</u>
Total Long-Term Debt					<u>\$ 1,589,333</u>	<u>1,420</u>	<u>82,834</u>	<u>1,507,919</u>	<u>80,528</u>

Current maturities of long-term debt and interest through maturity are as follows:

	Year ending December 31								
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017-2021</u>	<u>2022-2026</u>	<u>Thereafter</u>	<u>Total</u>
<b>Principal</b>									
Revenue Bonds	\$ 5,286	5,588	5,861	6,148	6,408	37,246	47,296	212,969	326,802
General Obligation Bonds	34,939	41,315	41,912	42,432	43,976	180,693	91,390	642,239	1,118,896
Capital Lease Obligations	41,145	21,076	-	-	-	-	-	-	62,221
Total principal	<u>81,370</u>	<u>67,979</u>	<u>47,773</u>	<u>48,580</u>	<u>50,384</u>	<u>217,939</u>	<u>138,686</u>	<u>855,208</u>	<u>1,507,919</u>
<b>Interest</b>									
Revenue Bonds	16,036	15,733	15,460	15,173	14,913	69,359	59,310	86,573	292,557
General Obligation Bonds	50,393	48,963	47,193	45,298	43,329	185,052	152,777	334,487	907,492
Capital Lease Obligations	3,141	1,105	-	-	-	-	-	-	4,246
Total interest	<u>69,570</u>	<u>65,801</u>	<u>62,653</u>	<u>60,471</u>	<u>58,242</u>	<u>254,411</u>	<u>212,087</u>	<u>421,060</u>	<u>1,204,295</u>
Total principal and interest	<u>\$ 150,940</u>	<u>133,780</u>	<u>110,426</u>	<u>109,051</u>	<u>108,626</u>	<u>472,350</u>	<u>350,773</u>	<u>1,276,268</u>	<u>2,712,214</u>

## NOTES TO FINANCIAL STATEMENTS

December 31, 2011

## 7. CAPITAL IMPROVEMENT PROJECTS

During the year 2003, the City began a sewer lagoon and a Community Capacity Grant capital project to be financed with loans and grants. At December 31, 2011, capital project authorizations compared with expenditures from inception are as follows:

	Project <u>Authorization</u>	Expenditures <u>to Date</u>
Sewer lagoon	\$ <u>1,494,198</u>	<u>1,493,232</u>
Community Capacity Grant	\$ <u>15,000</u>	<u>12,900</u>

## 8. DEFINED BENEFIT PENSION PLAN

Plan Description

The City of Peabody contributes to the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas, Topeka, KS 66603-3803) or by calling 1-888-275-5737.

Funding Policy

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4.00% to 6.00% of covered salary. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer rate, established by statute, was 7.74% at December 31, 2011. The City's contributions to KPERS for the year ending December 31, 2011, 2010, and 2009 were \$23,262, \$19,502, and \$15,704, equal to the annual statutory required contributions for the year.

## 9. COMPENSATED ABSENCES

Full-time employees earn two weeks of paid vacation upon completion of one year of employment through ten years of service. After ten years of service, employees earn three weeks of paid vacation per year. Unused vacation pay is paid to employees upon termination. Unused vacation time has not been recorded as a liability in the accompanying financial statements.

Full-time employees receive 10 days of paid time off each year. This is in lieu of paid sick time. Any paid time off not used by the end of the year is paid to the employee at the rate of ½ day for each 1 day of paid time off remaining.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2011

## 10. INTERFUND TRANSACTIONS

Operating transfers during the year ended December 31, 2011, were as follows:

<u>Transfers to</u>	<u>Transfer from</u>						<u>Total</u>
	<u>General</u>	<u>Sewer</u>	<u>Water</u>	<u>Refuse</u>	<u>Sewer- Lagoon</u>	<u>Special Equipment Law/Fire</u>	
Special Park	\$ 4,000	-	-	-	-	-	4,000
Capital Improvement	121,300	1,500	1,000	10,000	-	-	133,800
Municipal Equipment	12,147	20,279	10,279	-	-	10,450	53,155
Water Debt Service-2000	-	-	22,000	-	-	-	22,000
Water Bond Reserve-2000	-	-	2,125	-	-	-	2,125
Sewer Operating	-	-	-	-	690	-	690
Sewer Replacement	-	8,000	-	-	-	-	8,000
Bond and Interest	43,630	44,800	-	-	-	-	88,430
	<u>\$ 181,077</u>	<u>74,579</u>	<u>35,404</u>	<u>10,000</u>	<u>690</u>	<u>10,450</u>	<u>312,200</u>

## 11. DATE OF MANAGEMENT'S REVIEW

Management has performed an analysis of the activities and transactions subsequent to December 31, 2011, to determine the need for any adjustments to and/or disclosures within the audited financial statements. Management has performed their analysis through June 21, 2012 which is the date at which the financial statements were available to be issued.